

Instructions: Cost Benefit and Feasibility Analysis Form 1 through Form 5

Form 1/ Summary	Summary Cost Benefit and Cash Flow Analysis
Form 2/ Cost Analysis	Project Detail Cost Flow Analysis
Form 3/ Summary Operations Incremental Cost of Project	Operations Incremental Costs of Project (Form 3-Column C)
Form 4/ Current versus Proposed Operations Costs	Current Method versus Proposed Method Operations Costs
Form 5/ Benefits Analysis	Benefits Cash Flow Analysis

The Electronic Version:

CBAFORMS.XLS is available either through the Internet or by diskette. Call the OITO information number at (360)902-3557, or download the spreadsheet CBAFORMS.XLS (instructions included) from Home Page: http://olympus.dis.wa.gov/pub/info_services/it_manual

The five electronic forms are stored as worksheets in CBAFORMS.XLS. The worksheet function is not available in prior versions of Microsoft Excel and other spreadsheets, and may be unreadable. Call OITO if assistance is needed.

In Microsoft Excel 5, navigate between sheets by clicking on the Forms tabs in the lower left of the spreadsheet display. You may need to customize printed output for your computer configuration. Data input cells in the electronic spreadsheet are displayed in blue.

The forms can be completed by hand calculation, by carrying forward the total amounts as instructed below. The last step requires calculation of the net present value and internal rate of return for the net cash flow of the proposed project option under analysis. These usually require an automated tool.

Forms:

In the Microsoft Excel 5 version, Form 3 requires no data input. Form 1 requires entering the fiscal years, the agency name, the project/option title, and the Cost of Capital (see below for accessing the Cost of Capital). Form 2, Form 4, and Form 5 require input. The form labeled Instructions is a reference list of tables.

The Analysis:

This analysis consists of a workbook of five forms which are the suggested approach from the Office of Information Technology Oversight (OITO) for calculating the financial return of a proposed information technology project. These forms are available in Microsoft Excel 5 from OITO. The electronic forms will calculate the required measures of financial return from information you provide.

You will need to gather the costs and benefits of each way of developing and implementing the proposed project. These are the project options under analysis, and ideally each should undergo a full Cost Benefit Analysis (CBA). Completing Form 1 through Form 5 will provide the costs and benefits for one way of implementing a project.

The option to "do-nothing" has costs and benefits, too. The costs of doing-nothing are the costs of operations, over time as currently performed, and are used in this analysis in Form 3 and Form 4, Operations Incremental Costs of Project, and Current versus Proposed Method Operations Cost. Completing Form 3 and Form 4 can reveal the costs of the option of doing nothing.

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performed, and are used in this analysis in Form 3 and Form 4, Operations Incremental Costs of Project, and Current versus Proposed Method Operations Cost. Completing Form 3 and Form 4 can provide the costs of the option of doing-nothing.

This distinction is important in completing Form 3 and Form 4 in the spreadsheet. Attention needs to be paid to the method of project implementation, particularly to the time of operational cut-over, for example, whether in parallel or sequential. The current operational costs used in Form 3 are the costs of continuing to do business as now performed, and the project operational costs are the costs of operation as if the project were implemented. The net difference between these two operational methods is the operational net cost/benefit, not the costs of operating both systems in parallel or concurrently.

The cost code structure used throughout the analysis is the State of Washington Office of Financial Management's (OFM) code structure. These were used for consistency within the state's budgeting requirements and their use provides comprehensive budget analysis. Use of the codes is desirable but not necessary. For more information on the OFM budget and cost codes structures, see OFM's 1997-1999 Operating Budget Instructions, Chapter 4. Using the state fiscal year calendar (July through June) will provide consistency with state fiscal and biennial budgeting cycles.

Instructions:

1. Open the spreadsheet and go to Form 1. Enter your agency, project/option title, and fiscal years relevant to this option (if different from 1997, 1998, and so forth). These fields show in blue. Your entries will carry forward to the remaining forms.
2. Go to Form 2. Enter each year's project development costs of the proposed project in Form 2, Project Detail Cost Flow Analysis. Development costs typically occur in the first five years of the project. Using the state fiscal year calendar (July through June) will provide consistency with state fiscal and biennial budgeting cycles.
3. Enter each fiscal year's costs of operations of the current method of doing business and the proposed method of doing business in Form 4, Current versus Proposed Method Operations Cost. The proposed project's operations costs are defined as if the project were implemented, not as if the current and proposed methods were parallel operations.

In Form 4, Use columns (a) and (b) for each fiscal year. Column (c) is the calculated difference between the current operations cost for that fiscal year, and proposed project operations cost, if the project were implemented, for that fiscal year. These are the Operations Incremental Costs of the Project, which may be negative or positive.

A negative result in column (c) means the project is actually less expensive to operate than the current operational method. A more likely view of the project may have initially high but diminishing project costs as production stabilizes.

In the Excel 5 version, these incremental costs are calculated for each fiscal year by cost code and by total for that year. Each fiscal year's total incremental costs are carried forward to Form 3, Operations Incremental Costs of Project.

4. Enter a description and the amounts of other benefits of the proposed project in Form 5, Benefits Cash Flow Analysis. These may include cost avoidance, cost reduction, increased revenue, or tangible public benefits. The Excel 5 version will calculate the sum of revenue, reimbursements, cost avoidance, and so forth.

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5. On Form 1, enter the Cost of Capital (equivalent to the interest rate paid by state government to finance borrowing), under the heading "Cost of Capital". Contact the State Treasurer's Office, Division of Development Management for the current cost of capital, at (360) 586-4647 or (360) 664-0892. The rate of 6.25% is supplied in the electronic version, but is modifiable.
6. Repeat completing these forms for each project/option to the current way of doing business you are considering.

Form 1/ Summary, Cost Benefit and Cash Flow Analysis

Agency Agency Name

Project Option Project Title

07-Jun-96
Suggested Format

TOTAL OUTFLOWS
TOTAL INFLOWS
NET CASH FLOW
INCREMENTAL NPV
Cumulative Costs
Cumulative Benefits

FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	GRAND TOTAL
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	
NA	0	0	0	0	0	0	0	0	0	
NA	0	0	0	0	0	0	0	0	0	
NA	0	0	0	0	0	0	0	0	0	

Cost of Capital	Breakeven Period - yrs.*		NPV \$	IRR %
	Non- Discounted	Discounted		
6.25%			0	#NUM!

* - "Non-Discounted" represents breakeven period for cumulative costs and benefits (no consideration of time value of money).
* - "Discounted" considers effect of time value of money through incremental Net Present Value.

Form 2/ Project Detail Cost Flow Analysis

Agency Agency NameProject Option Project Title07-Jun-96
Suggested Format

FISCAL COSTS, PROJECT DEVELOPMENT	OFM Object Codes	DEVELOPMENT PHASES										GRAND TOTAL
		FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	
Salaries and Wages	(A)	0	0	0	0	0	0					0
Employee Benefits	(B)	0	0	0	0	0	0					0
Personal Service Contracts	(CA)	0	0	0	0	0	0					0
Communications	(EB)	0	0	0	0	0	0					0
Hardware Rent/Lease	(ED)	0	0	0	0	0	0					0
Hardware Maintenance	(EE)	0	0	0	0	0	0					0
Software Rent/Lease	(ED)	0	0	0	0	0	0					0
Software Maintenance & Upgrade	(EE)	0	0	0	0	0	0					0
DP Goods/Services	(EL)	0	0	0	0	0	0					0
Goods/Services Not Listed	(E)	0	0	0	0	0	0					0
Travel	(G)	0	0	0	0	0	0					0
Hardware Purchase Capitalized	(JC)	0	0	0	0	0	0					0
Software Purchase Capitalized	(JC)	0	0	0	0	0	0					0
Hardware Purchase - Non. Cap	(KA)	0	0	0	0	0	0					0
Software Purchase - Non. Cap	(KA)	0	0	0	0	0	0					0
Hardware Lease/Purchase	(P)	0	0	0	0	0	0					0
Software Lease/Purchase	(P)	0	0	0	0	0	0					0
Other (specify)	()	0	0	0	0	0	0					0
TOTAL DEVELOPMENT		0	0	0	0	0	0	0	0	0	0	0

Form 3/ Summary, Operations Incremental Cost of Project

Agency Agency NameProject Option Project Title

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		FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	GRAND
		1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	TOTAL
OPERATIONS INCREMENTAL COSTS OF PROJECT (Per Form 4 - Column C)												
Salaries and Wages	(A)	0	0	0	0	0	0	0	0	0	0	0
Employee Benefits	(B)	0	0	0	0	0	0	0	0	0	0	0
Personal Service Contracts	(CA)	0	0	0	0	0	0	0	0	0	0	0
Communications	(EB)	0	0	0	0	0	0	0	0	0	0	0
Hardware Rent/Lease	(ED)	0	0	0	0	0	0	0	0	0	0	0
Hardware Maintenance	(EE)	0	0	0	0	0	0	0	0	0	0	0
Software Rent/Lease	(ED)	0	0	0	0	0	0	0	0	0	0	0
Software Maintenance & Upgrade	(EE)	0	0	0	0	0	0	0	0	0	0	0
DP Goods/Services	(EL)	0	0	0	0	0	0	0	0	0	0	0
Goods/Services Not Listed	(E)	0	0	0	0	0	0	0	0	0	0	0
Travel	(G)	0	0	0	0	0	0	0	0	0	0	0
Hardware Purchase Capitalized	(JC)	0	0	0	0	0	0	0	0	0	0	0
Software Purchase Capitalized	(JC)	0	0	0	0	0	0	0	0	0	0	0
Hardware Purchase - Non. Cap	(KA)	0	0	0	0	0	0	0	0	0	0	0
Software Purchase - Non. Cap	(KA)	0	0	0	0	0	0	0	0	0	0	0
Hardware Lease/Purchase	(P)	0	0	0	0	0	0	0	0	0	0	0
Software Lease/Purchase	(P)	0	0	0	0	0	0	0	0	0	0	0
Other (specify)	()	0	0	0	0	0	0	0	0	0	0	0
TOTAL OPERATIONS		0	0	0	0	0	0	0	0	0	0	0
TOTAL OUTFLOWS		0	0	0	0	0	0	0	0	0	0	0
CUMULATIVE COSTS		0	0	0	0	0	0	0	0	0	0	0

(1) Total Outflows the sum of Fiscal Total Operations and Total Development from Form2.

(2) Total Outflows carried to Form1

Form 4/ Current versus Proposed Method Operations Costs

Agency Agency NameProject Option Project Title

07-Jun-96

Suggested Format

		FY 1997			FY 1998			FY 1999			FY 2000			FY 2001		
		(a)	(b)	(c) = (b)-(a)	(a)	(b)	(c) = (b)-(a)	(a)	(b)	(c) = (b)-(a)	(a)	(b)	(c) = (b)-(a)	(a)	(b)	(c) = (b)-(a)
		Current	Project	Incremental Effect of Project (to summary)	Current	Project	Incremental Effect of Project (to summary)	Current	Project	Incremental Effect of Project (to summary)	Current	Project	Incremental Effect of Project (to summary)	Current	Project	Incremental Effect of Project (to summary)
OPERATIONS COSTS	Obj. Codes															
Salaries and Wages	(A)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Employee Benefits	(B)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Personal Service Contracts	(CA)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Communications	(EB)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Hardware Rent/Lease	(ED)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Hardware Maintenance	(EE)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Software Rent/Lease	(ED)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Software Maintenance & Upgrade	(EE)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DP Goods/Services	(EL)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Goods/Services Not Listed	(E)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Travel	(G)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Hardware Purchase Capitalized	(JC)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Software Purchase Capitalized	(JC)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Hardware Purchase - Non. Cap	(KA)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Software Purchase - Non. Cap	(KA)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Hardware Lease/Purchase	(P)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Software Lease/Purchase	(P)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other (specify)	()	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL OPERATION COSTS		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FTE'S				0			0			0			0			0

		FY 2002			FY 2003			FY 2004			FY 2005			FY 2006		
		(a)	(b)	(c) = (b)-(a)	(a)	(b)	(c) = (b)-(a)	(a)	(b)	(c) = (b)-(a)	(a)	(b)	(c) = (b)-(a)	(a)	(b)	(c) = (b)-(a)
		Current	Project	Incremental Effect of Project (to summary)	Current	Project	Incremental Effect of Project (to summary)	Current	Project	Incremental Effect of Project (to summary)	Current	Project	Incremental Effect of Project (to summary)	Current	Project	Incremental Effect of Project (to summary)
OPERATIONS COSTS	Obj. Codes															
Salaries and Wages	(A)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Employee Benefits	(B)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Personal Service Contracts	(CA)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Communications	(EB)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Hardware Rent/Lease	(ED)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Hardware Maintenance	(EE)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Software Rent/Lease	(ED)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Software Maintenance & Upgrade	(EE)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DIS Goods/Services	(EL)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Goods/Services Not Listed	(E)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Travel	(G)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Hardware Purchase Capitalized	(JC)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Software Purchase Capitalized	(JC)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Hardware Purchase - Non. Cap	(KA)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Software Purchase - Non. Cap	(KA)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Hardware Lease/Purchase	(P)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Software Lease/Purchase	(P)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other (specify)	()	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL OPERATION COSTS		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FTE'S				0			0			0			0			0

(1) FY__ Column (c) for each Cost Code carried to Form3

1997-1999 Feasibility Study Guidelines

CBAFORMS.XLS